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October 3, 2006

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th St SW
Washington DC 20054

Re: WC Docket No. 06-172: Verizon's Petitions for Forbearance Pursuant to 47 U.S.C. 160(C) in the Boston, New York, Philadelphia, Pittsburgh, Providence, and Virginia metropolitan Statistical Areas

Dear Ms. Dortch:

On September 29, 2006, Charlie Hoffman, Jim Kirkland, Chris McKee and I, all of Covad Communications, met with Commissioner Adelstein, Barry Ohlson, Commissioner Adelstein's Senior Legal Advisor and Legal Advisor for Spectrum & International Issues, and Scott Bergmann, Commissioner Adelstein's Legal Advisor for Wireline Issues, to discuss Covad's business generally and the status of the above-referenced proceeding. During the meeting, Covad disputed the legal, policy, and factual bases of the most recent Verizon forbearance petitions. A copy of materials discussed in the meeting is attached.

Pursuant to Section 1.1206(b) of the Commission's rules, 47 C.F.R. § 1.1206(b), an electronic copy of this notice is being filed in each of the above-referenced proceedings.

Respectfully submitted,

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TRANSFORMING COMMUNICATIONS THROUGH BROADBAND INNOVATION



Covad Communications Group Inc.

Ticker: DVW

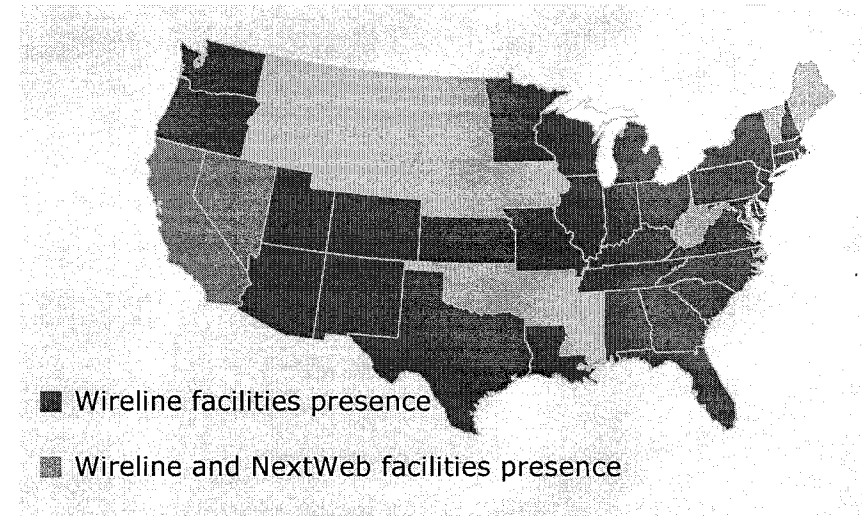
COVAD®

Unique Assets

- 2,000+ COs in 235 MSAs
- Next-generation network capability across 11 Tier 1 markets¹
 - LPVA, Bonded T1, ADSL 2+, MetroEthernet, Video, G.SHDSL
- 100 wireless base stations passing 500,000 businesses
- End-to-end ordering, provisioning, billing and support automation

Covad is the **ONLY** national, facilities-based, next-generation communications service provider.

Covad's Nationwide Network



Go-to-Market

| | Consumer | SOHO (1-5) | VSB (5-20) | SMB (21-100) | Distributed Enterprise | Medium (100-1,000) | Enterprise (1,000+) |
|-----------------|------------|---------------|-------------------------------|-----------------|-----------------------------|-----------------------|------------------------|
| Covad Direct | | | xDSL, T1, VoIP, VOA, Wireless | | | | |
| Covad Wholesale | LPVA, ADSL | | | | VOA, xDSL, T1, Frame Access | | |

Note: Facilities presence by state.

NEXT GENERATION BROADBAND

Covad's next generation network enables the following broadband services:

- **ADSL 2+** - up to 25Mbps
- **LPVA** – voice and data bundle for consumers
- **Bonded T1** – 2-6 T1 lines bonded together to provide 3-9Mbps
- **Metro Ethernet** – internet connectivity between geographically separate corporate sites
- **G.SHDSL** – symmetrical 2.3Mbps up to approx. 36,000 feet
- **IPTV** – broadcast television or on demand video via broadband

VOIP

Largest market share of Hosted VoIP with a complete product portfolio addressing the SMB market

- **ClearEdge Pro** – fully hosted and managed voice PBX solution targeted at companies with 20 to 250 users
- **ClearEdge Integrated Access** – Premise-based PBX solution with integrated voice and data service targeted at companies with 5 to 100 users
- **ClearEdge Office** – Fully hosted and managed VoIP service for very small businesses with a single site and 1 to 20 users

WIMAX

- **1-100Mbps** scalable wireless access products for SMBs and Enterprises needing T1-DS3 connectivity solutions

Growth with Innovative New Products

- Leverage next generation network capabilities to deliver differentiated, high bandwidth services
- Accelerate VoIP growth with expanded voice portfolio
- Actively pursue WiMAX – highly profitable, higher bandwidth, and an excellent customer experience

Operational Excellence

- Continued focus on driving operational costs down
- Build on recent churn improvement success with even better customer retention activities

Financial Performance

- A-EBITDA growth driven by a focus on higher margin “growth” products
- Flexibility with a strong balance sheet to capitalize on new growth opportunities
- Achieve cash flow positive, excluding EarthLink LPVA, by year end

Expansion of Covad's partnership with EarthLink will bring LPVA to **758 COs, 11 markets**, and will serve a total of **14M households** when completed by year end.

Line Powered Voice Access is becoming available in:

- Atlanta
- Chicago
- Dallas*
- Los Angeles
- Miami
- New York City
- Philadelphia
- San Diego
- San Francisco/San Jose*
- Seattle*
- Washington, DC

Benefits

- 8.0Mbps Covad ADSL over Covad's managed network
- Local and long distance calling
- Voicemail, caller ID, call waiting and many other voice features
- No special phone equipment or wiring required
- No service loss from a power outage

Strategic Partnership—EarthLink

- \$50M investment, \$10M in common equity, \$40M convertible debt
- Network upgrade in 11 markets which comprises 70% of Covad's revenue today
- EarthLink maintains no exclusivity
- Project is fully funded with Earthlink investment

* Indicates trial market metropolitan areas launched in Q1 2006

Atlanta, Los Angeles, New York City launch in Q3 2006 and remaining markets will launch in Q4 2006



Regulatory Stability Has Produced Tangible Benefits

- Competitive carriers like Covad are an important source of competition and innovation
 - Competitive carriers serve ~ 20% of the small and medium business market and are leading the provision of business class VOIP services
 - UNE loop based, line powered voice product with EarthLink provides a unique, differentiated consumer offering with the best features of incumbent voice services (powering of lines in emergency power outage situations, compatibility with existing wiring and CPE, unlike "over the top" providers like Vonage and cable) with innovative VOIP features
- Covad is able to provide competitive products that are different from incumbent offerings by combining "dumb" UNE copper loops with its own network facilities in 2050 co-locations across the country
- The last 18 months of regulatory stability have supported massive investment by competitive carriers
 - TRRO decision rendered December 2004 established comprehensive ground rules for CLEC competition
 - Affirmed in its entirety by DC Circuit in June 2006
- Financial markets have responded – competitive carriers have raised over \$5.9 billion in new debt and equity financing in the last 12 months

Verizon Forbearance Petitions (WC Docket No. 06-172)

- Verizon seeks wholesale reversal of settled TRRO framework in virtually all of its largest markets (Boston, New York, Philadelphia, Pittsburgh, Providence, and Virginia Beach)
 - In the TRRO, the Commission carefully considered the circumstances under which competitive circumstances warrant relief from UNE requirements
 - Verizon would have the Commission “start over” and define a whole new set of criteria for deregulation based on sui generis Omaha precedent
- Constant reconsideration of the basic regulatory framework for competition via forbearance is unfair to competitive carriers and their investors
- Verizon retains overwhelming market share of local voice service in these markets
 - Verizon thus controls facilities in all affected markets that are critical for competitors to reach vast majority of voice customers
 - Compare with video markets where the Commission is attempting to spur additional competition: alternate providers have captured much more substantial market share
- Grant of requested relief would eliminate the interconnection rights that create the very competition Verizon cites to justify relief
- Rationale for deregulation of new facilities (e.g. fiber) – spurring investment - does not apply to removal of remaining requirements to unbundle legacy copper plant
 - Covad is investing in its own network facilities to provide new and innovative uses of copper plant (e.g. line powered voice), Verizon is not
- As a result, grant of requested relief would result in a net decrease in existing competition with no offsetting benefit

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APPENDIX

COVAD®

Loop Based Competition Versus Resale

